ACCESS BANK PLC

Monetary Policy Committee

Decision Preview

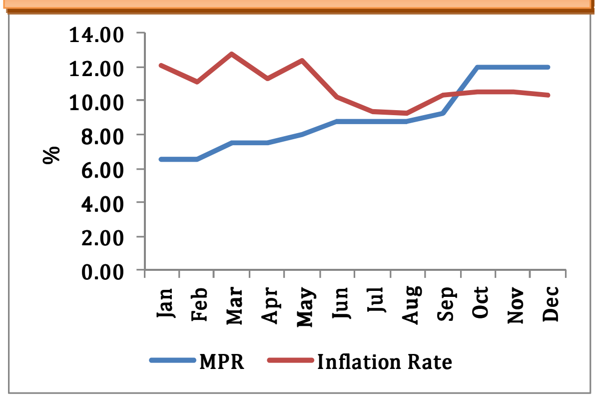
January 30, 2012

The Monetary Policy Committee (MPC) will hold its next Meeting today and tomorrow (January 30 - 31, 2012). During this Meeting the Committee is expected to review local macroeconomic performance for Year-2011. This local review will be compared to global developments in the stated period.

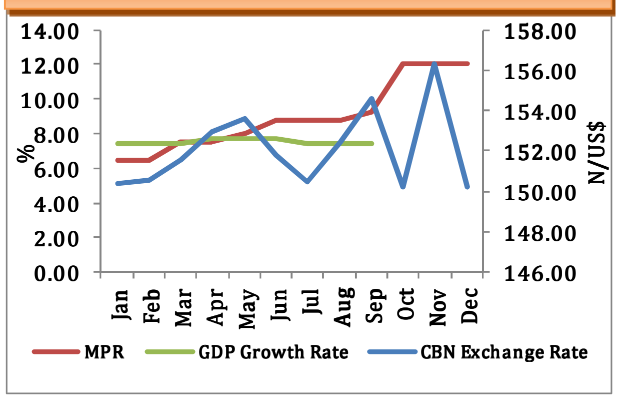
The Economic Intelligence Team holds the view that the existing benchmark rate shall be retained. In other words, the MPR will remain unchanged at 12.00% at this Meeting – the first for Year-2012. The Committee will most likely assume this stance because of several factors. The chief factor is the desire to observe the impacts of the partial removal of fuel subsidy (PMS Price was moved to N97/litre from N65 by the government) on the nation's GDP (gross domestic products) fortune via inflation, exchange rate, interest rate, investment and consumption. The Committee is also likely to maintain the +/-200basis points interest corridors. Therefore, standing deposit facility (SDF) and standing lending facility (SLF) rates will remain at 10.0% and 14.0%, respectively. Liquidity ratio (LR) and cash reserve requirement (CRR) are likely to remain unchanged at 30% and 4%, respectively.

During 2011, Nigeria's GDP witnessed commendable growth especially compared to figures coming from Western economies. In Q1 2011, GDP grew by 7.43% while it achieved 7.4% in Q3 having grown by 7.72% the previous quarter. Government statistical czars forecasted 7.8% for Q4 2011. This laudable GDP showing was as a result of several factors during Year-2011. Some of these will include responsive monetary management, favourable oil price (which remained largely over the budget benchmark throughout the year), the nation's increasing contributions to global trade and rising per capita income (making demand effective). Others are improving manufacturing sector capacity utilization, growing contribution from non-oil sectors and well-managed exchange rate regime. The major limitations to full employment of the nation's resources however remain: poor infrastructure, weak access to credit, poor doing business environment etc.

Trends in MPR & Inflation Rate



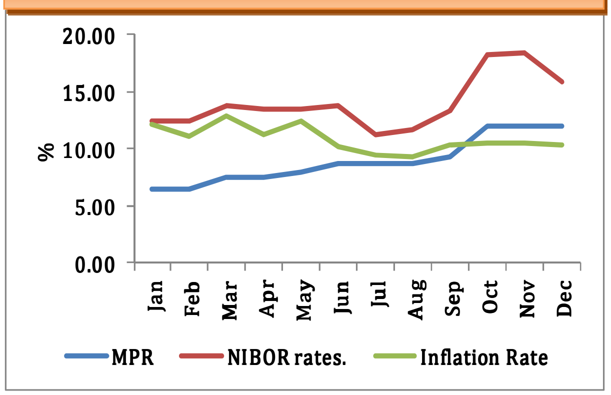
Trends in MPR, GDP Growth & CBN Exchange Rate



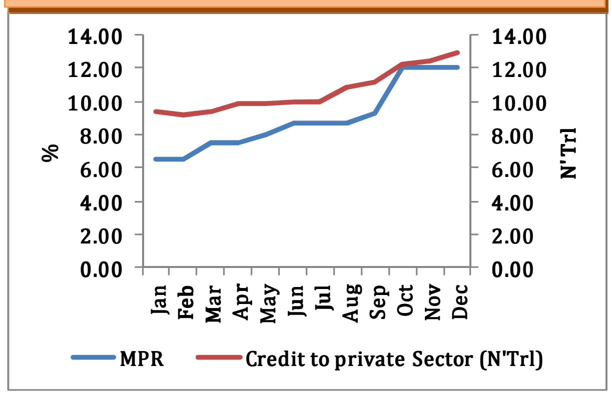
On the average, inflation rate was in double-digits for a greater part of year-2011 with core inflation contributing more to the unflattering position. Inflation attained its most praiseworthy position in August when it clocked 9.3% and on the reverse side, it achieved 12.80% at end Q1 2011. Both the monetary and fiscal authorities tried to nail it through various forms of quantitative tightening and with the use of effective inflation management tools. Less success was however achieved. For 2012, the Government inflation target is 9.5%. For Q1 2012, the apex bank is very likely to focus on actually understanding the impact of the partial deregulation of the petroleum industry (incomplete removal of fuel subsidy) and its impact on GDP growth. Inflation tackling and/or management of other macroeconomic indicators are likely to assume back-row position in Q1.

Private sector credit (PSC) spiraled upwards by about 37.3% between year-start and year-end 2011 in spite of the consistent quantitative tightening stance of the CBN. PSC moved steadily upwards to N12.93trillion as at December from N9.42trillion in January 2011 with the exception of February and May where it experienced insignificant dips. On the Naira/Dollar relationship, the local currency traded weakly against the greenbacks. This was not helped by the N5 devaluation it suffered in November when the CBN moved out of its declared range (N150/US$+/-3%) to N155/US$ +/-3%. In a few instances, the local currency regained some strength but they were quite short-lived. The CBN is also not likely to review the Naira/Dollar relationship for Q1 2012. Apart from creating a platform for convergence of both the street and official exchange value, the authorities might also want to monitor/watch the impact of the partial deregulation of the fuel price on exchange rate. The death-knell on speculative window is within sight.

Trends in MPR, NIBOR-90 & Inflation Rate



Trends in MPR & Private Sector Credit



Interest rates are likely to experience marginal increase in Q1 2012 in spite of the authorities maintaining the previous benchmark position as business struggle for vantage positioning for the rest of the year. This is the time for stock orders. The quickness in which FAAC allocation is released to the System might also give credence to the rates direction.

The Economic Intelligence Unit is of the opinion that the apex bank is more likely to retain its base rate at 12.00%. This is largely because of the inclination of the authorities to closely monitor the impact of the partial removal of fuel subsidy on macroeconomic indicators.

Generally, concerns such as the nation's relationship with the global economy, its GDP fortunes, inflation management, realistic exchange rate and private sector credit availability are always some of the key issues the MPC considers during this crucial Meeting. **The authorities will want to observe the impact of the fuel subsidy removal (partial) on the economy while retaining the MPR at 12%.**